Summary of the Credit Cardholdersâ€™ Bill of Rights

H.R. 627, the Credit Cardholders’ Bill of Rights Act, passed the House on May 20, 2009. Mike strongly supported passage of the bill and released the following statement:

"This bill will directly benefit millions of struggling Americans. This is a huge win for consumers, especially given these tough economic times. Mainers deserve to be free of these credit card gimmicks and unfair policies. This bill provides tough new protections for consumers and small business owners facing excessive credit card fees, sky-high interest rates, and unfair agreements. I am pleased that Congress has passed the bill and that it is now headed to the President for his signature."

Prevents Unfair Increases in Interest Rates and Changes in Terms

- Prohibits arbitrary interest rate increases on existing balances, unless the consumer is 60 days late on a payment or fails to comply with a workout agreement.

- Eliminates “universal default,” where card issuers raise interest rates because of lateness or default with other creditors — even if the cardholder is in good standing with the card in question;

- Requires a credit card issuer who increases a cardholder’s interest rate to periodically review and decrease the rate if indicated by the review;

- Prohibits issuers from increasing rates on a cardholder in the first year a credit card account is opened;

- Requires promotional rates to last at least 6 months.

Prohibits Exorbitant and Unnecessary Fees

- Prohibits issuers from charging a fee to pay a credit card debt, whether by mail, telephone, or electronic transfer, except for live services to make expedited payments;

- Prohibits issuers from charging overâ€•limit fees unless the cardholder elects to allow the issuer to complete overâ€•limit transactions, and also limits overâ€•limit fees on electing cardholders;

- Requires penalty fees to be reasonable and proportional to the omission or violation;

- Strengthens protections against excessive fees on lowâ€•credit, highâ€•fee credit cards.

Requires Fairness in Application and Timing of Card Payments

- Requires payments in excess of the minimum to be applied first to the credit card balance with the highest rate of interest;

- Prohibits issuers from setting early morning deadlines for credit card payments;

- Requires credit card statements to be mailed 21 days before the bill is due rather than the current 14.

Protects the Rights of Financially Responsible Credit Card Users

- Prohibits interest charges on debt paid on time (doubleâ€•cycle billing ban);

- Prohibits late fees if the card issuer delayed crediting the payment;

- Requires that payment at local branches be credited sameâ€•day;

- Requires credit card companies to consider a consumer’s ability to pay when issuing credit cards or increasing credit limits.

Provides Greater Disclosure of Card Terms and Conditions

- Requires cardholders to be given 45 days notice of interest rate, fee and finance charge increases;

- Requires issuers to provide disclosures to consumers upon card renewal when the card terms have changed;

- Requires issuers to disclose the period of time and total interest it will take to pay off the card balance if only minimum monthly payments are made;

- Requires full disclosure in billing statements of payment due dates and applicable late payment penalties.

Strengthens Oversight and Penalties Credit Card Industry Practices

- Requires each issuer to post its credit card agreements on the Internet, and provide those agreements to the Federal Reserve Board to post on its website;

- Requires the Federal Reserve Board to review the consumer credit card market, including the terms of credit card agreements and the practices of credit card issuers and the cost and availability of credit to consumers;

- Requires Federal Trade Commission rulemaking to prevent deceptive marketing of free credit reports;

- Increases existing penalties for companies that violate the Truth in Lending Act for credit card customers.

Ensures Adequate Safeguards for Young People

- Requires issuers extending credit to young consumers under the age of 21 to require either a co-signor or proof that the applicant has an independent means of repaying any credit extended;

- Limits prescreened offers of credit to young consumers;

- Prohibits increases in the credit limit on accounts where a parent, legal guardian, spouse or other individual is jointly liable unless the individual who is jointly liable approves the increase;

- Increases protections for students against aggressive credit card marketing, and increases transparency of affinity arrangements between credit card companies and universities.

Generally the credit card provisions take effect in nine months; some provisions, such as the 45-day notification for interest rate increases and 21- day mail requirement, take effect in 90 days.

Gift Card Protections

- Protects recipients of gift cards by requiring all gift cards to have at least a five-year life span, and eliminates the practice of declining values and hidden fees for those cards not used within a reasonable period of time.

Encourages Transparency in Credit Card Pricing

- Requires the GAO to study the impact of interchange fees on consumers and merchants, specifically their disclosure, pricing, fee and cost structure.

Protects Small Businesses

- Requires the Federal Reserve to study the use of credit cards by small businesses and make recommendations for administrative and legislative proposals;

- Establishes Small Business Information Security Task Force to address the information technology security needs of small businesses and help prevent the loss of credit card data.

Promotes Financial Literacy

- Requires comprehensive summary of existing financial literacy programs and development of strategic plan to improve financial literacy education.